

Message Text

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ACTION NEA-12

INFO OCT-01 AF-10 EUR-25 ISO-00 IO-14 CIAE-00 DODE-00

PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01

PRS-01 SPC-03 SS-20 USIA-15 AID-20 EB-11 CIEP-02

TRSE-00 STR-08 OMB-01 CEA-02 COME-00 FRB-02 XMB-07

OPIC-12 LAB-06 SIL-01 FEA-02 SCI-06 INT-08 FPC-01

AGR-20 DRC-01 /249 W

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R 160935Z JAN 74

FM AMEMBASSY NICOSIA

TO SECSTATE WASHDC 8130

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY LONDON

AMEMBASSY TELAVIV

AMEMBASSY TRIPOLI

USMISSION UN

USEC BRUSSELS 133

AMEMBASSY ROME

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SUBJECT: CYPRUS - OIL SUPPLY AND MISSION TO LIBYA

REF: NICOSIA 35, 27

SUMMARY: GOCYPRUS COMMERCE MINISTER RETURNS FROM
TRIPOLI WITH LIBYAN OFFER TO SUPPLY CYPRUS WITH ABOUT 150,000
METRIC TONS OF CRUDE OIL PLUS GASOLINE AND DIESEL FUEL IN 1974,
POSSIBLY AT CONCESSIONAL PRICES. LIBYA REQUESTS SERVICES OF
CYPRIOT TECHNICIANS IN CONTEXT OF PROPOSED CYPRUS/LIBYA TECH-.

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NICAL AND INDUSTRIAL COOPERATION AGREEMENT.

1. IN STATEMENT ON HIS RETURN FROM LIBYA JAN 11, GOCYPRUS COMMERCE AND INDUSTRY MINISTER COLOCASSIDES SAID HE HAD OBTAINED LIBYAN GOVT ASSURANCE THAT CYPRUS WOULD BE SUPPLIED WITH "SUBSTANTIAL QUANTITY" OF ITS REFINED PETROLEUM PRODUCT IMPORT REQUIRMENTS AT FAVORABLE PRICES, TO BE DETERMINED IN THE CONTEXT OF AN OPEC PLAN FOR THE SUPPLY OF CRUDE UNDER FAVORABLE CONDITIONS TO FRIENDLY, DEVELOPING COUNTRIES. COLOCASSIDES ADDED THAT HE HAD ALSO EXPLORED POSSIBILITY OF OBTAINING SOME QUANTITY OF HEAVY FUEL OIL FOR CYPRUS ELECTRICITY AUTHORITY (CEA) AS WELL AS CRUDE WHICH MIGHT BE REFINED IN ITALY UNDER EXISTING ARRANGEMENTS OF THE LIBYAN GOVT. TECHNICAL AND INDUSTRIAL COOPERATION AGREE-
MENT UNDER WHICH LIBYA COULD OBTAIN SERVICES OF CYPRIOT TECHNICIANS WAS ALSO DISCUSSED.

2. ACCORDING GOCYPRUS DIRECTOR OF INDUSTRIES (PHYLAKTIS) WHO ACCOMPANIED COLOCASSIDES TO TRIPOLI, LIBYANS ASSURED CYPRUS DELEGATION THAT THEY WOULD BE ABLE TO SUPPLY ALMOST 20 PERCENT OF CYPRUS PETROLEUM REQUIREMENTS. THOUGH LIBYANS SAID THEY WOULD CONSIDER POSSIBILITY OF CONCESSIONAL PRICE, GOCYPRUS IS STILL WAITING FOR WORD FROM TRIPOLI ON PRICE. PHYLAKTIS SAYS LIBYANS ARE PREPARED TO SUPPLY "ES SIDR" CRUDE (NOT FROM ESSO' NATIONALIZED FIELDS) WHICH GOCYPRUS COULD REFINED IN ITALY OR ELSEWHERE. (THEY DO NOT INTEND TO USE LIBYAN CRUDE IN THE LOCAL REFINERY.) IF LIBYANS DO OFFER CONCESSIONAL PRICE, EITHER UNDER OPEC PLAN OR BILATERALLY, PHYLAKTIS BELIEVES IT WILL BE SUBSTANTIALLY LOWER THAN THE \$16 PER BARREL POSTED PRICE AT WHICH LIBYA OFFERED THE CRUDE TO COLOCASSIDES LAST WEEK. HE NOTES THAT GOCYPRUS HAS ALREADY REJECTED IRAQI OFFER TO SUPPLY CRUDE AT \$19.75 PER BARREL. LIBYANS ALSO OFFERED 10,000 METRIC TONS GASOLINE AND SOME HEAVY FUEL OIL TO MEET CYPRUS IMMEDIATE NEEDS, BUT AGAIN, THE PRICE QUESTION REMAINS TO BE SETTLED.

3. PHYLAKTIS SAID LIBYAN PROPOSAL OF TECHNICAL AND INDUSTRIAL COOPERATION AGREEMENT WAS LEFT VAGUE. LIBYANS REQUESTED SERVICES OF CYPRIOT TECHNICIANS (ENGINEERS AND AGRICULTURAL EXPERTS) UNDER PROPOSED TECHNICAL COOPERATION PROGRAM BUT LIMITED OFFICIAL USE

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DID NOT GO INTO DETAIL ON INDUSTRIAL COOPERATION PROPOSAL. ACCORDING PHYLAKTIS, CYPRUS COULD SUPPLY MECHANICAL AND ELECTRICAL ENGINEERS, BOTH IN SURPLUS, AND GRADUATE AGRONOMISTS, BUT NOT EXPERIENCED AGRICULTURAL TECHNICIANS. (WE UNDERSTAND THAT AGRICULTURE MINISTER PLANS OFFICIAL VISIT TO LIBYA IN FEBRUARY.)

4. AS OF JAN 8, CYPRUS PETROLEUM STOCKS TOTALED 71,158

METRIC TONS (MT), SUFFICIENT FOR ABOUT 33 DAYS CONSUMPTION.

5. CYPRUS 1973 PETROLEUM CONSUMPTION WAS ABOUT 829,000 MT. WITHIN THIS TOTAL, 660,000 MT WERE REFINED LOCALLY, 152,000 MT WERE IMPORTED IN FORM OF LIGHT PRODUCTS, AND 88,000 MT OF SOVIET HEAVY FUEL OIL WERE IMPORTED BY THE ELECTRICITY AUTHORITY. GOCYPRUS NOW HOPES TO OBTAIN SOME 150,000 MT OF "CHEAP CRUDE" FROM LIBYA, REFINES IT ABROAD, AND MEET CYPRUS 1974 PETROLEUM PRODUCT IMPORT REQUIREMENTS.

6. ALTHOUGH PRESS HAS NOT PLAYED STORY, WE ARE DISTURBED TO FIND THAT AS CYPRUS WRESTLES WITH FUEL CRISIS, SENIOR AND NORMALLY VERY FRIENDLY OFFICIALS (E.G. FOREIGN MINISTER AND FON MIN DIRGEN) ARE SUSCEPTIBLE TO IDEA THAT USG SOMEHOW ENGINEERED CRISIS TO BRING EUROPE TO HEEL.

7. COMMENT: AGREEMENTS STILL HAVE A VERY TENTATIVE SOUND. IF LIBYANS ARE DEMANDING POLITICAL QUID PRO QUO, WE EXPECT IT TO SURFACE IN LOCAL RUMOR MILLS WITHIN NEXT FEW DAYS. (WE KNOW THEY DEMANDED RIGHT TO PUT BROADCASTING STATION IN CYPRUS WHEN OIL ISSUE FIRST BROACHED DURING MAKARIOS VISIT. SEE REFTELS.
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